



Foreign Agricultural Service

**GAIN Report**

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 2/9/1999

GAIN Report #CO9002

## Colombia

### Fresh Deciduous Fruit

### Special Stone Fruit Request

1999

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**Report Highlights:** The Colombian market offers good sales opportunities for U.S. exporters of peaches, nectarines, and plums. Colombia's commercial production of peaches and plums reaches only minor volumes while nectarines are not grown at all. The GOC's adoption of a trade liberalization program in the early 1990's has allowed consumers to expand their fruit intake beyond the traditional tropical fruits grown in Colombia. Growth in stone fruit imports in recent years has been impressive, ranging from 25 percent annually for peaches/nectarines to 40 percent for plums. The U.S. share of Colombia's stone fruit imports in 1997 more than doubled the 15 percent for peaches/nectarines and 25 percent for plums in the early 1990's. During the 1998 summer marketing season, U.S. stone fruit sales in Colombia were hurt by quality problems and efforts by the GOC to reduce street vendor sales. Colombian imports of U.S. stone fruit are assessed a 15 percent import duty while imports from Chile and other Andean countries enter duty-free. Elimination of this tariff discrimination will spur U.S. exports to Colombia.

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Includes PSD changes: No  
Includes Trade Matrix: Yes  
Unscheduled Report  
Bogota [CO1], CO

## Table of Contents

Executive Summary .....	<a href="#">1</a>
Production .....	<a href="#">1</a>
Consumption .....	<a href="#">1</a>
Marketing Channels .....	<a href="#">2</a>
Import Duties and Taxes .....	<a href="#">2</a>
Trade .....	<a href="#">2</a>
Colombia: Imports of Peaches and Nectarines, 1996-97, Volume .....	<a href="#">3</a>
Colombia: Imports of Peaches and Nectarines, 1996-97, Value .....	<a href="#">4</a>
Colombia: Imports of Plums, 1996-97, Volume .....	<a href="#">4</a>
Colombia: Imports of Plums, 1996-97, Value .....	<a href="#">5</a>
Imported Fruit Price Comparison .....	<a href="#">5</a>
Import Barriers for U.S. Stone Fruit .....	<a href="#">5</a>
Competitor Marketing Activities .....	<a href="#">5</a>
Import Regulations .....	<a href="#">6</a>
Labeling Requirements .....	<a href="#">6</a>
Colombian Stone Fruit Importers .....	<a href="#">7</a>

## Executive Summary

Colombian demand for imported stone fruit has grown rapidly during the past decade as a result of the GOC's decision to implement the trade liberalization policies of Apertura (economic opening). Although increasing, Colombian stone fruit production is sufficient to meet only a small part of local consumer demand. Increasingly, consumers are turning away from the traditional tropical fruit produced in Colombia to include imported stone fruit in their diets. Chile and, to a lesser extent, Venezuela and Ecuador are the main competitors for U.S. stone fruit in the Colombian market. U.S. stone fruit imports are assessed a 15 percent duty while these other suppliers enjoy duty-free entry as member states of the Andean Community or because of bilateral trade agreements. The United States has an active market development program to promote stone fruit sales in Colombia while our competitors depend primarily on reduced transport costs and the absence of a duty payment in selling their fruit. U.S. stone fruit sales in Colombia were hurt during the 1998 summer season due to quality problems and efforts by the GOC to reduce street vendor sales in Bogota. U.S. marketing strategy needs to focus on developing/maintaining a quality image while stressing product origin identity in supermarket sales.

## Production

Commercial production of stone fruit in Colombia is quite limited. Peach production in 1998 is estimated at 1,800 tons. Colombia's plum crop in 1998, consisting largely of red skinned fruit, is estimated at approximately 800 tons. Nectarines are not produced in Colombia. Although small, commercial production has grown rapidly during the past decade. The average fruit grower operates a 2-3 hectare farm. In general, locally-produced stone fruit is regarded by consumers as much lower in quality than imported stone fruit.

In January 1997, the GOC established a fruit and vegetable development fund to be financed with a 1 percent tax on domestic production of fruits and vegetables. The development fund is designed to promote the production of products that either are in short supply or that have export marketing potential. However, since the marketing of most domestic fresh produce is not well organized, no more than 20 percent of domestic production is believed to be paying the development fund assessment.

## Consumption

Locally-produced stone fruit accounts for approximately 20 percent of total consumption of stone fruit in Colombia, with imports supplying the bulk of consumer demand. With the opening of the Colombian market following the GOC's decision to implement a liberalized trade policy in the early 1990's, consumers have been permitted to expand fruit variety in their diets from the traditional assortment of locally-grown tropical fruit. The vast majority of imported stone fruit is marketed in high-income neighborhoods of Colombia's major urban centers.

## Marketing Channels

Although some Colombian supermarkets seek to obtain their imported stone fruit requirements directly from exporters, in most cases they choose to obtain their needs from specialized local fruit importers. Importers direct about 20 percent of their total sales to supermarkets with the remaining 80 percent directed to large fruit wholesalers. Some large wholesalers in turn sell to smaller wholesalers serving specialized markets in Bogota and in other urban centers. Wholesale distribution of imported fruit is directed to street vendors, small independent retail outlets, and sales to kiosk operators in wet markets. During the second half of 1998, the GOC made a deliberate effort to reduce the number of street vendors in Bogota. These vendors traditionally have been responsible for the largest portion of retail sales of imported fresh stone fruit. Sales of imported 1998 summer fruit from the United States was hurt by the elimination of these vendors and supermarket have been slow to increase their sales volumes. Unless, the GOC reverses its policy on street vendor sales, U.S. marketing strategy should increasingly be directed to market development activities in Bogota's supermarkets and shopping plazas.

## Import Duties and Taxes

Colombian imports of stone fruit from the United States are assessed a 15 percent duty. Stone fruit imports from Chile and other Andean Community member states (Venezuela and Ecuador) enter duty-free.

Effective January 1, 1999, the GOC extended its 16 percent Value Added Tax (VAT) to imported foods. An exemption, however, was granted to imported fresh fruit items. Many industry observers maintain that the GOC's decision to exempt fresh fruit imports from the VAT was due in part to complaints by the Chilean Government which maintained that the imposition of such a tax would have constituted the imposition of an import duty. This would have violated the bilateral trade agreement between Chile and Colombia which grants Chilean fruit duty-free entry into the Colombian market.

## Trade

Colombian trade data aggregates peaches and nectarines under one heading. Annual growth in peach/nectarine imports during the past 5 years has averaged close to 25 percent. Imports of plums over the same period have increased at an average annual rate of nearly 40 percent. The upward trend in imports reflects increased fruit consumption in general and a tendency for consumers to switch from local tropical fruit to imported stone fruit, grapes, apples, etc. Although trade data for 1998 is not yet available, imports of stone fruit during the past year declined an estimated 15 percent in response to a general slowdown in the economy.

Chile and Venezuela are the primary competitors for U.S. peaches in Colombia while Chilean and Ecuadorian plums provide the primary competition for U.S. plums in this market. Despite the duty payment disadvantage, the United States has been increasing its share of Colombia's import market for stone fruit. In the early 1990's, the U.S. share of Colombia's imports was approximately 15 percent for peaches/nectarines and 25 percent for plums. U.S. share for peaches/nectarines and plums in 1997 rose to 34 percent and 56 percent, respectively. This improvement in U.S. market share is attributed to market development activities being carried out in Colombia by the U.S. industry.

U.S. stone fruit sales in Colombia from the 1998 summer crop were hurt by poor quality. Importers

comment that their sales were sharply curtailed by the poor holding capacity of imported U.S. peaches and nectarines. Early season and late season peach shipments were particularly troublesome for importers. Arrivals of U.S. peach varieties (Autumn Ladies, Autumn Flame, and Carnival shipped in October and November were described as black in color and dry insides. After leaving cold storage, importers comment that the fruit did not hold up for more than a day or two. Losses were exceptionally high. In most cases, importers stopped receiving U.S. nectarines in June when they noted that quality upon arrival was poor. Most of the quality problems this past shipping period are attributed to a very wet 1998 growing season in the United States. In contrast to peaches and nectarines, importers note that the quality of U.S. plum arrivals in 1998 was very good.

The quality problems experienced during the 1998 shipping season are particularly troublesome for our marketing strategy given that U.S. fruit in Colombia must be marketed stressing quality. Chilean fruit is marketed in Colombia not on quality but on lower price and as a sales outlet for excess supplies of lower quality fruit that cannot meet the grade standards demanded by North American, European, or Asian markets. Once U.S. stone fruit loses this quality advantage, Colombian importers rapidly turn to Chilean offers which stress price and consignment terms.

### Colombia: Imports of Peaches and Nectarines, 1996-97, Volume

Import Trade Matrix			
Country:	Colombia	Units:	metric tons
Commodity:	Fresh Peaches & Nectarines		
Time period:	CY		
Imports for	1996		1997
U.S.	1252	U.S.	2232
Others		Others	
Venezuela	2958	Venezuela	1888
Chile	2616	Chile	2523
Total for Others	5574		4411
Others not listed	12		16
Grand Total	6838		6659
Source: DIAN (Revenue & Customs Agency).			

**Colombia: Imports of Peaches and Nectarines, 1996-97, Value**

Import Trade Matrix			
Country:	Colombia	Units:	\$1,000
Commodity:	Fresh Peaches & Nectarines		
Time period:	CY		
Imports for	0		0
U.S.	1852	U.S.	2690
Others		Others	
Chile	3724	Chile	3500
Venezuela	2241	Venezuela	558
Total for Others	5965		4058
Others not listed	12		26
Grand Total	7829		6774
Source: DIAN (Revenue & Customs Agency).			

**Colombia: Imports of Plums, 1996-97, Volume**

Import Trade Matrix			
Country:		Units:	metric tons
Commodity:	Fresh Plums		
Time period:	CY		
Imports for	1996		1997
U.S.	752	U.S.	1742
Others		Others	
Chile	1070		1361
Ecuador	75		41
Total for Others	1145		1402
Others not listed			
Grand Total	1897		3144
Source: DIAN (Revenue & Customs Agency).			

**Colombia: Imports of Plums, 1996-97, Value**

<b>Import Trade Matrix</b>			
<b>Country:</b>	<b>Colombia</b>	<b>Units:</b>	<b>\$1,000</b>
<b>Commodity:</b>	<b>Fresh Plums</b>		
<b>Time period:</b>	<b>CY</b>		
<b>Imports for</b>	<b>0</b>		<b>0</b>
<b>U.S.</b>	<b>881</b>	<b>U.S.</b>	<b>1926</b>
<b>Others</b>		<b>Others</b>	
<b>Chile</b>	<b>1432</b>	<b>Chile</b>	<b>1808</b>
<b>Ecuador</b>	<b>3</b>	<b>Ecuador</b>	<b>9</b>
<b>Total for Others</b>	<b>1435</b>		<b>1817</b>
<b>Others not listed</b>	<b>0</b>		<b>0</b>
<b>Grand Total</b>	<b>2316</b>		<b>3743</b>
Source: DIAN (Revenue & Customs Agency).			

**Imported Fruit Price Comparison**

Chilean peaches, nectarines and plums were being imported in early January 1999 at no more than \$10 per 10 kilos. Imports of U.S. stone fruit from the 1998 summer crop ended in late November 1998. The average landed price, including duty, for this past season's U.S. stone fruit was approximately \$17.25 per 10 kilos. U.S. fruit is shipped in 12 kilo cartons while Chilean stone fruit is shipped in 9 kilo cartons. The normal import period for U.S. stone fruit in Colombia runs from May through late November or early December while Chilean fruit begins to arrive in November and continues through March or early April.

**Import Barriers for U.S. Stone Fruit**

The dominant marketing constraint facing U.S. stone fruit in Colombia is the preferential duty treatment afforded regional suppliers. Most importers state that if U.S. fruit also entered Colombia duty-free, they would purchase additional volumes from the United States instead of Chile. There are no specific phytosanitary or other non-tariff barriers confronting U.S. stone fruit in the Colombian market.

**Competitor Marketing Activities**

According to local trade contacts, neither Chile or the other Andean suppliers are conducting market development activities to promote their sales of stone fruit in Colombia. Their marketing strategy is based solely on taking advantage of the duty-free access and the lower transportation costs that they enjoy. According to some industry contacts, Chile views the Colombian market as an opportunity to eliminate excess supplies, especially for lower grade fruit. Colombian importers comment that they at times are offered fruit on a consignment basis. Post is

unaware of any Chilean Government funded or private exporter funded marketing activities in Colombia. The Colombian Fresh Fruit Importers Association (ASIFRUT) is attempting to implement a marketing program which would be funded by assessing \$0.05 per box fee on imported fruit. This would apply to both U.S. and non-U.S. fruit. According to ASIFRUIT, utilization of these funds would be primarily focused upon stimulating fruit consumption and lobbying for a reduction for import duties assessed against U.S. fruit.

## **Import Regulations**

1. The Colombian fresh fruit importer must register his company with INCOMEX of the Ministry of Foreign Trade. This grants Government of Colombia authorization to the company to import any and all agricultural products.
2. The fruit importer purchases an import license form at INCOMEX.
3. The fruit importer presents to the Colombian Agricultural Institute (ICA) of the Ministry of Agriculture his completed import license form and is issued a health permit. This process normally takes about 48 hours.
4. The importer presents the completed import license form and the ICA health permit to INCOMEX. INCOMEX will now issue an approved import license (registro de importacion). This process normally takes 48 hours.
5. The imported produce is inspected by an ICA official upon arrival in Colombia. The ICA official ensures that the product is free of disease, has been inspected by the USDA prior to its shipment and is accompanied by a USDA health certificate.

## **Labeling Requirements**

No labeling requirements are specified by the GOC for fresh produce imports and country of origin identification is seldom displayed in supermarket shelves. Consumers, therefore, often are unaware of the origin of imported fruit and vegetables being purchased. U.S. exporters are encouraged to affix an identifying sticker to each piece of fruit. This is recommended since Chilean fruit often appears in Colombia with a generic sticker labeling in English. Often, consumers believe this is U.S. origin fruit when in reality it is fruit that may have originally been intended for the U.S. market but was refused for quality considerations. Traditionally, a large percentage of imported fruit has been retailed in Colombia by street vendors in major urban areas. These street vendors often utilize the cartons/boxes that the fruit was originally shipped in which usually have labeling containing information on the country of origin.



## Colombian Stone Fruit Importers

Comercializadora S.F. Ltda.  
Cra. 99 No. 46A-10, Bodega 39,  
L28/29/30  
AA 151102, 151021  
Tel. (571)415-4740, 415-4742  
FAX: (571)415-4832  
Bogotá

Vigomez & Cía.  
Cra. 43A No. 7-50A  
Edificio Torre Dann, Of. 1508  
Tel. (574)311-8180  
FAX: (574)266-6668  
El Poblado - Medellín

Orlando Aristizabal  
Corabastos  
Bodega 29L, puesto 301/2, local 90  
Tel. (571)451-7555  
fax: 451-7556  
Bogotá

Frigorífico de la Costa  
Cra. 44 No. 53-02  
Apdo. 51196  
Tel: (575) 351-6066, 340-2721, 341-0820  
FAX: (575)341-7049  
Barranquilla

Frutera Andina  
Ave. 80 No. 62-70, Bodega 14  
Tel. (571)310-8815, 310-8805, 211-3685  
FAX: (571)310-8795  
Bogotá

Cadenalco - Superley  
Calle 30A No. 65B-57  
Apdo 711  
Tel. (094)265-1515, 355-9274  
FAX: (O94) 235-6196, 235-9226  
Medellín  
Normally imports using specialized importers

Alimentos del Caribe Ltda.  
Cra. 41 No. 70-23  
Tel. (571)250-2157, 250-5445  
FAX (571)250-5362, 630-4158  
Bogotá

Frigorífico Tequendama  
Cra. 32A No. 10-140  
Antigua carretera Jumbo  
Tel. (572)655-0938, 655-0939/40  
FAX: (572)664-8368  
Cali

Quiroga & Castañeda  
Corabastos, Red de Frios, Local 14  
Bodega Reina, Puesto 35  
Tel. (571)451-0708, 451-8172  
FAX: (571)451-8171  
Bogotá

Disfrutar Ltda.  
Calle 36 No. 39-56  
Tel. (575)340-6502, 341-2000  
FAX: (571)341-6842  
Barranquilla

ASIFRUT  
(National Association of Fruit Importers)  
Cra. 41 No. 70-25  
Tel/FAX: (571)630-4158  
Bogotá

Supermercados Carulla  
Cra. 68D No. 21-35  
Apdo. 29703  
Tel. (571)411-4145  
FAX: (571)411-4194  
Bogota